

EXHIBIT

INTRODUCTION

Respondent California Assisted Living Facilities Association (“CALFA”) is a lobbyist employer located in Sacramento. CALFA has been a registered lobbyist employer since 1995. On and between February 2, 1998 and July 31, 2000, Respondent failed to timely file eleven quarterly lobbyist employer reports as required by sections 86116 and 86117 of the Political Reform Act (the “Act”).¹ The reports were eventually filed on September 5, 2001.

For the purposes of this Stipulation, Respondent’s violations of the Act are as follows:

COUNT 1: Respondent California Assisted Living Facilities Association is a lobbyist employer, as defined in section 82039.5 of the Government Code, that failed to file a periodic report by February 2, 1998, disclosing required information about its lobbying activities during the period October 1, 1997 through December 31, 1997, in violation of sections 86116 and 86117 of the Government Code.

COUNT 2: Respondent California Assisted Living Facilities Association is a lobbyist employer, as defined in section 82039.5 of the Government Code, that failed to file a periodic report by April 30, 1998, disclosing required information about its lobbying activities during the period January 1, 1998 through March 31, 1998, in violation of sections 86116 and 86117 of the Government Code.

COUNT 3: Respondent California Assisted Living Facilities Association is a lobbyist employer, as defined in section 82039.5 of the Government Code, that failed to file a periodic report by July 31, 1998, disclosing required information about its lobbying activities during the period April 1, 1998 through June 30, 1998, in violation of sections 86116 and 86117 of the Government Code.

COUNT 4: Respondent California Assisted Living Facilities Association is a lobbyist employer, as defined in section 82039.5 of the Government Code, that failed to file a periodic report by November 2, 1998, disclosing required information about its lobbying activities during the period July 1, 1998 through September 30, 1998, in violation of sections 86116 and 86117 of the Government Code.

COUNT 5: Respondent California Assisted Living Facilities Association is a lobbyist employer, as defined in section 82039.5 of the Government

¹ The Political Reform Act is contained in sections 81000 through 91014 of the Government Code. All statutory references are to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission, enacted pursuant to the provisions of the Act, are contained in sections 18000, *et seq.*, of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

Code, that failed to file a periodic report by February 1, 1999, disclosing required information about its lobbying activities during the period October 1, 1998 through December 31, 1998, in violation of sections 86116 and 86117 of the Government Code.

COUNT 6: Respondent California Assisted Living Facilities Association is a lobbyist employer, as defined in section 82039.5 of the Government Code, that failed to file a periodic report by April 30, 1999, disclosing required information about its lobbying activities during the period January 1, 1999 through March 31, 1999, in violation of sections 86116 and 86117 of the Government Code.

COUNT 7: Respondent California Assisted Living Facilities Association is a lobbyist employer, as defined in section 82039.5 of the Government Code, that failed to file a periodic report by August 2, 1999, disclosing required information about its lobbying activities during the period April 1, 1999 through June 30, 1999, in violation of sections 86116 and 86117 of the Government Code.

COUNT 8: Respondent California Assisted Living Facilities Association is a lobbyist employer, as defined in section 82039.5 of the Government Code, that failed to file a periodic report by November 1, 1999, disclosing required information about its lobbying activities during the period July 1, 1999 through September 30, 1999, in violation of sections 86116 and 86117 of the Government Code.

COUNT 9: Respondent California Assisted Living Facilities Association is a lobbyist employer, as defined in section 82039.5 of the Government Code, that failed to file a periodic report by January 31, 2000, disclosing required information about its lobbying activities during the period October 1, 1999 through December 31, 1999, in violation of sections 86116 and 86117 of the Government Code.

COUNT 10: Respondent California Assisted Living Facilities Association is a lobbyist employer, as defined in section 82039.5 of the Government Code, that failed to file a periodic report by April 30, 2000, disclosing required information about its lobbying activities during the period January 1, 2000 through March 31, 2000, in violation of sections 86116 and 86117 of the Government Code.

COUNT 11: Respondent California Assisted Living Facilities Association is a lobbyist employer, as defined in section 82039.5 of the Government Code, that failed to file a periodic report by July 31, 2000, disclosing required information about its lobbying activities during the period April 1, 2000 through June 30, 2000, in violation of sections 86116 and 86117 of the Government Code.

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in section 81002, subdivision (b), is to ensure that the activities and finances of lobbyists are disclosed, so that improper influences are not directed at public officials. The Act therefore establishes a lobbyist reporting system designed to accomplish this purpose of disclosure.

One feature of the system, found at section 86116, is that any person who qualifies as a “lobbyist employer” is required to file periodic reports containing information about the lobbying activities being conducted on behalf of the lobbyist employer. Under section 82039.5, a person qualifies as a “lobbyist employer” if the person either: (a) employs one or more lobbyists, for economic consideration, for the purpose of influencing legislative or administrative action; or (b) contracts for the services of a lobbying firm, for economic consideration, for the purpose of influencing legislative or administrative action.

Section 86117 provides that the periodic reports required by section 86116 must be filed by the end of the month following each calendar quarter.² The reports must be filed with the Secretary of State. (Section 86118.)

SUMMARY OF THE FACTS

Respondent CALFA has been registered as a lobbyist employer since 1995. On and between February 2, 1998 and July 31, 2000, the Secretary of State’s Office discovered that Respondent had not been filing its required lobbyist employer reports, and sent six notices to Respondent regarding the failure to file four of the overdue reports.

All of the notices were sent to CALFA’s Executive Director, Jim Eli. Mr. Eli left CALFA in July of 2000. On October 16, 2000, Sally Michael became the Executive Director of CALFA. She is currently the President of CALFA. Ms. Michael discovered that Mr. Eli had not attended to several matters during his tenure at CALFA, including timely filing many quarterly lobbyist employer reports. Following contact from the Secretary of State’s Office, and Ms. Michael’s review of the files, it was determined that CALFA had failed to file nine quarterly reports, and needed to amend the report filed for the period January 1, 2000 through June 30, 2000.

In summary, CALFA failed to timely file the following periodic lobbyist employer reports:

Count	Period covered	Date due	Fees and Expenses paid	Lobbying Firm
1	10/1/97 – 12/31/97	2/2/98	\$2,056.95	Arnold & Associates
2	1/1/98 – 3/31/98	4/30/98	\$61.02	Rees & Associates
3	4/1/98 – 6/30/98	7/31/98	\$25,187.15	Rees & Associates
4	7/1/98 – 9/30/98	11/2/98	\$5,339.46	Rees & Associates
5	10/1/98 – 12/31/98	2/1/99	\$11,054.93	Rees & Associates
6	1/1/99 – 3/31/99	4/30/99	\$20,493.52	Rees & Associates

² If the last day of the month falls on a Saturday, Sunday, or official holiday, the filing deadline is extended to the next regular business day. (Regulation 18116.)

Count	Period covered	Date due	Fees and Expenses paid	Lobbying Firm
7	4/1/99 – 6/30/99	8/2/99	\$35,687.76	Rees & Associates
8	7/1/99 – 9/30/99	11/1/99	\$0.00	Rees & Associates
9	10/1/99 – 12/31/99	1/31/00	\$15,587.63	Rees & Associates
10	1/1/00 – 3/31/00	4/30/00	\$20,791.94	Rees & Associates
11	4/1/00 – 6/30/00	7/31/00	\$11,997.80	Rees & Associates
			\$148,258.16	

On September 5, 2001, Respondent filed all of the overdue reports covering the nine reporting periods between October 1, 1997 and December 31, 1999 (counts 1-9). In addition, Respondent filed amended reports for the period January 1, 2000 through March 31, 2000, and April 1, 2000 through June 30, 2000 (counts 10-11). Originally, Respondent had filed one report on October 5, 2000, for the period January 1, 2000 through June 30, 2000. Respondent later filed an amendment to this report, on April 4, 2001, in an unsuccessful attempt to correct the problem of failing to file separate quarterly reports for each reporting period. On September 5, 2001, Respondent finally filed two separate reports, for the two separate reporting periods, as required by section 86117.

In total, Respondent failed to disclose \$148,258 in lobbying expenses, consisting of payments to lobbying firms. Respondent had no other payments to in-house lobbyists, activity expenses or other payments to influence legislative or administrative action. All of the payments made by Respondent were timely reported by the lobbying firms that received the payments, in the quarterly reports filed by those firms.

Respondent hired a new lobbying firm, Rees & Associates for the legislative session 1998 – 1999. It was during this time period that the majority of Respondent's delinquent reports were not filed. Respondent's prior lobbying firm, Arnold & Associates, had prepared the periodic lobbyist employer reports for CALFA as part of the services it provided to CALFA. CALFA had not made the same arrangements with Rees & Associates.

CONCLUSION

Respondent contacted the Commission's Enforcement Division once the new Executive Director realized that CALFA had not complied with its filing obligations. Respondent timely filed all reports due prior to February 2, 1998 and after July 31, 2000, and there was some attempt to comply with the reporting obligations in the first half of 2000, when Respondent filed one report for the first two quarters of 2000 on October 5, 2000.

Respondent failed to timely file eleven lobbyist employer reports, in violation of Sections 83116 and 83117. While Respondent's failure to timely file the reports was serious, it appears that Respondent's actions were the result of negligence, rather than any deliberate intent to withhold information from the public. It is also significant that Respondent, under its new Executive Director, took action to file the delinquent reports, to cooperate with the Enforcement Division in bringing this matter to a swift resolution, and to institute procedures to prevent further violations from occurring in the future.

In addition, because all of Respondent's expenditures were to lobbying firms which were fully disclosed by the firms along with the information regarding which bills CALFA was lobbying, and there were no direct payments for contributions or gifts, the public harm was minimized.

To date, CALFA has paid late fees totaling One Thousand Nine Hundred Forty Dollars (\$1,940) to the Secretary of State's Office for the late reports. The maximum possible administrative penalty for these eleven counts is Twenty-two Thousand Dollars (\$22,000). The facts of this case, including the facts just noted, justify imposition of the agreed upon penalty of Eleven Thousand Dollars (\$11,000).